

DEED RECORDING SURCHARGE OPERATION AND MAINTENANCE SUBFUNDS GUIDELINES

Overview

House Bill 2060, effective June 13, 2002, enacted a surcharge of \$10 per instrument recorded in each county for affordable housing benefiting persons at 50% or less of the median family income (very-low income people). The 2003 HUD Income Limits for Clark County defines 50% of median income for a family of four as \$32,900.

The County Auditor's office can keep up to 5% of the money to administer the collection of funds. Of the remaining funds, 60% stay in Clark County for low-income housing and 40% is transmitted to the state for use by the Washington State Dept. of Community, Trade, and Economic Development for affordable housing.

During the Spring of 2003, a group of community stakeholders developed the following recommendations regarding the use of the local portion of the funds:

- Capital funds for transitional and permanent housing;
- Operating funds for shelters, transitional and permanent housing; and,
- Funding for the creation of a local housing bond

The following guidelines were developed to be used for the operating funds portion of the deed recording fee. These guidelines were designed to work in conjunction with the State Housing Trust fund portion of the fee.

Purpose

The purpose of the funds is to support operations and maintenance costs of housing projects or units within housing projects that are affordable to persons with incomes at or below 50% of the area median income which require a supplement to rent revenue to cover ongoing operating expenses. Funds will be used to fill the gap between eligible operating costs and project income.

Eligibility Table

A. Rental Housing Subfund	B. Emergency Shelter Subfund
1. On-site salaries & benefits	1. On-site salaries & benefits
2. Off-site management for building	2. On-going maintenance
3. Administrative expenses	3. Administrative expenses
4. On-going maintenance	4. Operating expenses – building & operations in building
5. Replacement reserve	5. Supplies for the continued operation of the facility
6. Operating reserve	6. Replacement reserve

Funding:

There is approximately \$391,000 available for operations as of August 15, 2003. This money will be used to support the operations of low income rental projects and emergency shelters.

A. Rental Operating and Maintenance Subfund Guidelines**Eligibility:**

The HB 2060 legislation defines the rental operation and maintenance use of funds as “Supporting building operation and maintenance costs of housing projects or units within housing projects built with housing trust funds, that are affordable to very low-income persons with incomes at or below fifty percent of the area median income, and that require a supplement to rent income to cover ongoing operating expenses.”

To meet the eligibility for the Rental Operating and Maintenance subfund, the following criteria must be met:

1. Project or housing units have used HTF funds for development, and
2. Serves people at or below 50% AML, and
3. Project requires supplemental income.

Eligible uses of Rental O&M Subfund include costs for (from State HTF Application):

1. On-site salaries and benefits – including all personnel costs directly associated with operating the building;
2. Off-site management – including overhead and personnel costs that are necessary to operate the building but are not located at the site;
3. Administrative expenses – such as, but not limited to, accounting, legal, advertising and marketing, insurance, collection loss, and real estate taxes;
4. On-going maintenance expenses – such as materials, janitorial supplies, maintenance contracts, security and other maintenance expenses;
5. Contractor paid utilities specific to the project but not specifically metered to an individual unit that are not the responsibility of a tenant;
6. Replacement Reserve additions – funds set aside for the replacement of, or major repair work on, the component systems of a housing facility. The amount to be deposited in the replacement reserve account should be based on a capital needs assessment and on the analysis of all facility systems that will wear out over the life of the project, and the estimated costs of repairing and replacing those systems when they wear out. Long-term maintenance as well as replacement costs includes such items as major repairs to, or replacement of, appliances and major fixtures, plumbing and heating systems and re-roofing. Short-term maintenance needs, such as periodic replacement of floor coverings, repainting units and general cleaning, should be budgeted through standard maintenance funds, not replacement reserve funds; and,
7. Operating reserve additions budgeted each year to cover unforeseen operating costs. The amount is normally to be 3 months of all expenses during the first year

of operations, except long-term replacement reserve items. The reserve will be allowed to accumulate until the amount is equal to 50% of a year's budget for operating costs. The operating reserve may also be used to pay for work that cannot be entirely funded by the maintenance reserve. As part of the management plan, each contractor must provide their policy, including procedures and eligible costs, for how operating reserve funds may be spent. The requirements and limits on replacement and operating reserves may be adjusted periodically, and/or for specific projects, by the County based on a review of the capital needs and operating risks of projects and of other public funder standards.

Ineligible uses

Funds are for the normal operation and maintenance of the building or structures on the site of the project. **Please note that these funds are not for the provision of services at the site or for new construction.**

The Rental Operations and Maintenance Subfund will not subsidize public or private lender debt service (including interest) or the costs of social services. Subsidies may be provided to a portion of units in a larger mixed income project which does have debt service, provided that all debt service costs are allocated to units serving households above 50% AMI or to units receiving Section 8 or other rental subsidy.

B. Emergency Shelter Subfund Guidelines

Eligibility

The HB 2060 legislation defines the rental operation and maintenance use of funds as "Operating costs for emergency shelters and licensed overnight youth shelters."

The funded activities must be required for the continued operation and licensing requirements of the shelter. This subfund may not be used for new services or for activities that take place at a location other than the shelter.

Eligible uses of Emergency Shelter Subfund include costs for:

1. On-site salaries and benefits – including all personnel costs directly associated with operating the building;
2. Off-site management – including overhead and personnel costs that are necessary to operate the building but are not located at the site;
3. Administrative expenses – such as, but not limited to, accounting, legal, insurance, and real estate taxes;
4. On-going operating expenses – such as materials, maintenance, utilities, security, supplies, food (if food is service at the facility), and other site operating expenses;

5. Replacement Reserve additions—funds set aside for the replacement of, or major repair work on, the component systems of the facility. The amount to be deposited in the replacement reserve account should be based on a capital needs assessment and on the analysis of all facility systems that will wear out over the life of the project, and the estimated costs of repairing and replacing those systems when they wear out. Long-term maintenance as well as replacement costs includes such items as major repairs to or replacement of appliances and major fixtures, plumbing and heating systems and re-roofing. Short-term maintenance needs, such as periodic replacement of floor coverings, repainting units and general cleaning, should be budgeted through standard maintenance funds, not replacement reserve funds; and,
6. Operating reserve additions budgeted each year to cover unforeseen operating costs. The amount is normally to be 3 months of all expenses during the first year of operations, except long-term replacement reserve items. The reserve will be allowed to accumulate until the amount is equal to 45% of a year's budget for operating costs. The operating reserve may also be used to pay for work that cannot be entirely funded by the maintenance reserve. As part of the management plan, each contractor must provide their policy, including procedures and eligible costs, for how operating reserve funds may be spent. The requirements and limits on replacement and operating reserves may be adjusted periodically, and/or for specific projects, by the County based on a review of the capital needs and operating risks of projects and of other public funder standards.

Ineligible uses

The Emergency Shelter Subfund will not subsidize public or private lender debt service (including interest) or the costs of services at other locations.